

Message Text

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ACTION OPIC-06

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LIMITED OFFICIAL USE ANKARA 2950

E.O. 11652: N/A

TAGS: EINV, EGEN, TU

SUBJECT: POLITICAL RISK CONVERTIBILITY INSURANCE (OPIC)

REF: A) 76 ANKARA 2780, B) STATE A-1080

1. TIME REQUIRED TO GAIN GOT APPROVAL AND EFFECT TRANSFER OF LOCAL CURRENCY TO U.S. DOLLARS FOR REMITTANCES OF TECHNICAL SERVICE FEES, ROYALTIES AND PROFITS HAS LENGTHENED OVER PAST YEAR. AMERICAN COMPANIES REPORT THAT TIME REQUIRED TO COMPLETE TRANSFER IS 30-40 DAYS. DIRECTOR GENERAL OF FOREIGN EXCHANGE, CENTRAL BANK ADMITTED THAT DELAYS OF UP TO 45 DAYS ARE NOT UNCOMMON.

2. REASON FOR DELAYS IS DUE TO CAREFUL REVIEW MEASURES ADOPTED BY MINISTRY OF FINANCE AND CENTRAL BANK IN EFFORT TO CONSERVE AND MANAGE COUNTRY'S DWINDLING FOREIGN EXCHANGE RESERVES. GROSS RESERVES WHICH WERE APPROXIMATELY \$1 BILLION ON JANUARY 1, 1977 HAVE DROPPED RECENTLY TO \$550 MILLION.

3. GOT HAS RESISTED CUTTING IMPORTS OF RAW MATERIALS AND CAPITAL GOODS NEEDED TO FUEL INVESTMENT DRIVE WHICH HAS RESULTED IN SATISFACTORY REAL GROWTH IN GNP OF AVERAGE 7 PERCENT PER ANNUM RATE OVER LAST FIVE YEARS. IN ORDER TO FINANCE MASSIVE EXTERNAL ACCOUNT DEFICITS OF 1975-76,
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GOT RELIED HEAVILY ON INFLOWS OF SHORT-TERM CAPITAL FROM EURO MARKET THROUGH THE MECHANISM OF THE CONVERTIBLE LIRA DEPOSIT (CLD). NET INFLOWS NOW TOTAL \$2 BILLION, BUT SEEM TO HAVE SLOWED DOWN SOMEWHAT IN RECENT MONTHS. AS CONCOMITANT EFFECT OF MASSIVE TRADE DEFICIT AND SLOW-DOWN IN NET INVISIBLES, DELAYS IN OPENING OF LETTERS OF CREDIT TO PAY FOR IMPORT TRANSACTIONS HAVE LENGTHENED TO THREE

MONTHS IN SOME CASES.

4. SINCE APPROXIMATELY \$800 MILLION OF CLDS FALL DUE IN 1977, CENTRAL BANK IS HAVING DIFFICULTY IN MANAGING FOREIGN EXCHANGE RESERVES. IN GENERAL, PRIVATE COMMERCIAL BANKS SEEMS TO BE ROLLING OVER CLDS AS THEY MATURE. NEVERTHELESS, SINCE CENTRAL BANK MUST MAINTAIN CONFIDENCE OF ITS INTERNATIONAL LENDERS, FIRST CLAIM ON DWINDLING FOREIGN EXCHANGE RESERVES HAS BEEN USED TO SERVICE CLDS AS THEY FALL DUE.

5. CONSEQUENTLY, WHILE GOT REALIZES NEED TO REMIT TECHNICAL SERVICE FEES, ROYALTIES AND PROFITS IN TIMELY FASHION, DELAYS HAVE LENGTHENED. WHILE AMERICAN COMPANIES ARE, OF COURSE, CONCERNED AT DELAYS, WE HAVE NOT RECEIVED SPECIFIC COMPLAINTS OR REQUESTS FOR REPRESENTATION.
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Message Attributes

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